



Area: 2,717,300 sq km

Capital: Astana

Population: 16.8 million

Population Growth Rate: 0.03% (2001 est)

Ethnic groups: Kazakh (Qazaq) 53.4%; Russian 30%; Ukrainian 3.7%; Uzbek 2.5%; German 2.4%; Uighur 1.4%; other 6.6%

Life Expectancy: male 57.8 yrs; female 68.9 yrs

Birth Rate: 17.3 births/1,000 population

Infant Mortality: 59.17 deaths/1,000 live births

Per Capita Income: \$1,421 (IMF World Economic Outlook; 2002 estimate)

Religion: Muslim 47%, Russian Orthodox 44%, Protestant 2%, other 7%

Language: Kazakh (Qazaq, state language) 40%, Russian (official, used in everyday business) 66%

Literacy: total 98%; male 99%; female 96%



President: Nursultan Nazarbayev

Prime Minister: Imangali Tasmagambetov

Ambassador to the US: Kanat Saudabayev

Development Challenge

Due to its oil and gas resources, size and strategic location, Kazakhstan continues to have a special partnership with the U.S. Although it does not border Afghanistan, Kazakhstan's leading economic and political position in the region gives it an important role in the War on Terrorism. With a per capital GDP of \$1,421, Kazakhstan is the wealthiest of the Central Asian republics. It has made the most significant economic progress since independence, well surpassing many other former Soviet countries in macro-economic reform. However, the historical legacies of authoritarianism and corruption, wasteful services and energy practices, and disdain for civic action and independent media are still very evident. Already large income and social disparities continue to grow, with over 30% of the population living under the poverty line, according to official government statistics. The shadow economy is estimated to account for 20 to 28% of GDP. The official unemployment rate is near 4%, but the real figure may be as high as 30%.

Kazakhstan's macroeconomy continues to show many positive signs, with 2001 GDP growth at 10.2%, solid fiscal management, privatization, an innovative Oil Fund, growing pension funds and bond and mortgage markets, and other reforms. However, the economy remains dominated by oligarchic interests and lacks a vigorous small business sector. Avoiding "Dutch Disease" from concentration on the oil sector is a major economic policy concern.

Continued government attempts to control and stifle independent media and political groups show a reluctance to embrace basic civil liberties. According to Freedom House, Kazakhstan remains "not free." However, vocal public action against some of the more severe government proposals did result in some moderation. Although recent political shifts have led to the removal of some key reformers from the government, the subsequent new political movement may also signal an increase in public debate on issues such as corruption, media, electoral reform and decentralization.

Kazakhstan's energy and water resources are often wasted through mismanagement and lack of maintenance; the public is largely ignorant of the concept of or the need for efficiency. Although the World Bank estimates that 91% of the population has access to clean water, outside of Almaty and Astana only one out of four people has access to clean water. Poor sanitation and the lack of safe sources of potable water exacerbate health problems, especially in areas surrounding the Aral Sea.

Despite economic progress, social services and public education have continued to deteriorate. The popularity of new community-level primary care centers demonstrates a public desire for better quality and improved efficiency in the health care system. It is estimated that Kazakhstan's rate of infant mortality is 59.17 deaths per every 1,000 live births. While tuberculosis mortality rates dropped 12.4% in the last reporting period, and inoculations against Hepatitis B have brought its incidence to zero among young children. By way of comparison, incidence of these diseases beyond childhood is still well above international norms. HIV/AIDS in particular is rising dramatically among high-risk groups, including drug users. Over 5% of the intravenous drug-using population are infected, making Kazakhstan the site of a concentrated HIV epidemic.

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Overview of USAID's Focus in Kazakhstan

USAID programs seek to help Kazakhstan continue economic and political reforms to avoid the authoritarianism, corruption, economic imbalances, and social disparities characteristic of many new oil-wealthy states.

Economic Reform and Private Sector Development In 2001, the Government of Kazakhstan officially recognized USAID as the "SME Donor of the Decade." Kazakhstan's corporate bond market grew over 200%, providing an additional source of capital for SME growth and expansion. USAID assistance in risk analysis resulted in home mortgage loans soaring from \$1 million to \$10 million in just one year. Other critical successes included the passage of a consolidated banking supervision law, the enactment of a new insurance law, and the consolidation of four regulatory bodies. The Kazakhstan Community Loan Fund (KCLF) expanded its product line to offer larger loans, reached self-sustainability at its Shymkent office, and opened a third branch in Almaty. USAID finalized a Memorandum of Understanding with Parliament through which we jointly analyzed the impact of policy changes and budget performance and objectively evaluated the 2002 budget. USAID provided extensive assistance to the GOK to develop a new, greatly improved Tax Code that went into effect in January 2002. The new code is more transparent and more easily enforced than the previous code, and removes convenient ambiguities favoring government friends. Improved compliance in tax revenue collections brought about a 32% increase over last year. All key USAID recommendations regarding establishment of an innovative off-shore Oil Fund were accepted, making the Oil Fund the first of its kind in the former Soviet Union. The fund's resources now total over \$1 billion.

Energy and Water Management Due to USAID-brokered agreements and the continued focus on training and study tours, USAID has played a key role in ensuring that water agreements meet international standards, and in providing an objective basis for decision-making. Staff of Kazakhstan's NHS are knowledgeable participants in the regional snowmelt runoff committee that meets semi-annually to improve water allocations for the Central Asia region. There, they participate in decisions for rational water allocations across Central Asia based on USAID-provided equipment and training. Demonstration projects have started in oil field cleanup and heating efficiency. The public is engaged, and discussions with the government are starting to address each of the problems (in some cases for the first time). For example, in Atyrau, local residents who participated in the heating efficiency projects are involved in the monitoring of the heat and hot water use and have lobbied both the regulator and Akimat for consumption-based rates for themselves and others. A USAID-funded study conducted for the GOK on domestic petroleum products was widely circulated and continues to bring about greater government accountability and transparency.

Democratic Institutions Kazakhstan's NGOs have strengthened significantly over the past year, thanks largely to ongoing intensive USAID support, including the establishment of four new civil society support centers (CSSCs) (bringing the new total to six) that served nearly 500 NGOs in the first six months of 2001. The NGOs themselves were surprised at the results of their advocacy campaigns, including a law regulating trade relations and the rights of consumers; amendments to Kazakhstan's media law; a new student contract with the universities; and Kazakhstan's first NGO Law. The NGO Law, while not perfect, represents a step forward in the legal recognition of NGOs, and was the first law to be drafted by and at the initiative of Kazakhstani senators. Another significant parliamentary step was their provision of computers to the USAID-funded Legislative Drafting Center. We have also begun to see Kazakhstani NGOs take initiatives with their government and with private investors for public services. A good example is Umit, a local NGO that actively participates in USAID's CSSC activities, who joined up with Chevron and the Ministry of Social Affairs to provide translations for the deaf on the Kazakhstani national television station. USAID helped Pavlodar oblast create a regional development model that includes program budgeting, organizational and functional analysis, and community-based economic development. In three municipalities, economic development councils have been established and plans developed. Three of the Regional Training Centers supported by USAID will soon be self-sustaining.

Quality Primary Health Care The USAID-funded "Keeping Children Healthy" campaigns in Karaganda and Semipalatinsk have reached 1,000,000 people with instruction in breastfeeding, appropriate use of antibiotics and appropriate feeding for children with diarrhea. Such basic knowledge in the hands of parents will greatly increase child survival. More than 700,000 people from one oblast recently enrolled with USAID-funded primary health care facilities. Through support of a Drug Information Center, USAID is increasing information on medications so physicians can prescribe the most effective and least costly medications. As the result of USAID and Government of Kazakhstan joint efforts to control tuberculosis, the national TB incidence rate experienced a 6% decline -- its first decline in 10 years. The national TB mortality rate showed a 29.9% decline. USAID and CDC calculate that implementation of the World Health Organization (WHO)-recommended DOTS strategy in Kazakhstan saved approximately 8000 lives over the past 2 years. The TB Electronic Case-Based Surveillance System developed by USAID became fully operational throughout the country. Electronic surveillance allows policy makers to rapidly analyze trends and make informed decisions. A newly implemented change to Kazakhstan's immunization policy for newborns (a reform promoted by USAID/CDC) now includes immunization against hepatitis B. As a result of the universal newborn immunization in Kazakhstan, which covers 97% of newborns, there were no hepatitis B cases reported among children of age 1 to 6 in 2000 compared to 27-87 cases per 100,000 of population in 1990. USAID's expanded efforts in HIV/AIDS prevention just began, including research and training in HIV/AIDS surveillance. USAID supported a study tour of government officials to a model Harm Reduction site in Lithuania; a Central Asian Condom Social Marketing Assessment and Workshop were conducted; and the Central Asian Initiative Conference on the Prevention of HIV/AIDS/STIs was held jointly with UNICEF and UNAIDS.